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CAN THE FARMER PRODUCE FREELY WHILE INDUSTRY PLOWS UP?

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Five especially prepared persons and a leader are needed to develop this discussion. Each of the five should prepare himself on one of the five sub-topics in this discussion, by studying the questions at the beginning of the sub-topic and the factual material which follows. If possible references should be obtained and studied also. The five especially prepared persons, sometimes called "team members", should be ready to respond informally when their topics are introduced by the leader. This does not mean that the five should make speeches, but that they should start the discussion by outlining the high points, as they see them, in the topic under consideration. It is also their job to know the facts on their particular topic so that the general discussion may not go astray. They are, in other words, "discussion starters", and "discussion anchors", to get talk started and to keep it from running wild away from the facts.

The five subjects under "Can the Farmer Produce Freely While Industry Plows Up?" are as follows:

I. Agricultural Sickness is Infectious
II. Industrial Depression Hits the Farmer
III. Industry Plows Up
IV. Agriculture Reduces
V. Further Farm Recovery Depends on Industrial Recovery

REFERENCES

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The Need for a Flexible Industrial Price Policy -- Louis H. Bean, Agricultural Adjustment Administration, Washington, D. C.

The AAA as a Recovery Measure, a radio debate between Dr. Joseph S. Davis and Mr. Charles J. Brand, presumably may be obtained from the Brookings Institution, Washington, D. C.

Prepared by the Southwestern Office, Division of Information, College Station, Tex.

CAN THE FARMER PRODUCE FREELY WHILE INDUSTRY PLOWS UP?

TOPIC I. Agricultural Sickness Is Infectious

1. In the 100-year period from 1830 to 1930 how did the growth of American industry stimulate agriculture?

2. How and why did American farm exports develop?

3. Why was the American farmer able to produce to capacity during this period?

4. Give some of the causes of the sickened condition of agriculture after 1930?

5. What caused the loss of the farmer's market after the War?

6. What policy of the United States temporarily saved the farmer's foreign market in the period from 1921 to 1929?

7. What two special advantages did the American farmer have in competing with European farmers? How did he lose these advantages?

8. What policy of the United States made it increasingly difficult for Europe to sell us goods and for us to sell her farm products?

9. What happened to the farmer's dollar from 1930 to 1933?

10. What were the results of the widening gap between farm income and industrial prices, taxes, etc.?

11. How did the condition of the farmer affect industry? Why?

12. What large financial institutions in the U. S. were especially endangered by the farmer's desperate condition?

America Grows Up

In the span of 100 years American farmers swarmed westward over America, felled its forests and broke its prairies to make homes for themselves and to furnish the world the sinews of industry: cheap food and raw materials. It was the time of expansion. The industrial revolution took manufacture from the homes and centered it in factories. Man began to learn some of the secrets of big-scale production. Steamships and railroads helped to make this possible by enabling manufacturers to reach all parts of the world for raw materials. The settlement of the American West gave access to the cheapest food in the history of the world. The American farmer mined his soil resources to keep pace with the growth of industry. World trade multiplied nearly 35 times from 1830 to 1930. American industry grew with European. American cities multiplied and grew in population; free immigration swelled the American population; the farmer found

no lack of mouths to feed. Prices were not always satisfactory, and the nation would occasionally over-reach itself and drop into depression, but these meant little to bouyant, youthful America. In free land there was always a safety valve. Agriculture had its growing pains, but was strong and healthy.

Some of the Causes of Sickness

After one last burst of adolescent enthusiasm caused by the War, agriculture contracted a sickness. Doctors disagree on the causes, but little on the symptoms. The boom of war days caused farmers to plow up 40 million acres of grass land. High prices resulted in land booms. Land values went up. Mortgage indebtedness multiplied nearly 2 1/2 times from 1910 to 1920. America changed overnight from a low cost of production to a high cost of production farm country.

The farmer went in for tractors after the war. Automobiles replaced horses. Thirty-five million acres of land that produced food for farm workstock before the War were no longer needed for this purpose, but they continued to be planted nevertheless.

Immigration was restricted in 1922. The birth rate in America began falling rapidly. Population continued to increase, but more slowly. At last there seemed to be limits to the farmer's American markets.

The farmer had always exported large quantities of products to Europe because he could produce more cheaply than European farmers and because America owed Europe debts which were paid in part by shipping cheap farm stuffs abroad. When the War was over the American farmer didn't have cheap foodstuffs to ship any more, he had become a high-cost-of-production farmer. Besides, America no longer owed Europe money. Instead Europe owed America a great deal of money. The farmer's export market was in serious danger, especially since Europe, with the recent War in mind, began trying her hand at living at home. What foreign foodstuffs she needed she could buy cheaper from Australia, Canada, and Argentina--expanding farm countries with low cost of production. On top of all this, America put up her tariffs, which meant that it became harder for Europe to sell us goods and correspondingly harder for us to sell her farm stuffs.

On top of all his other troubles--high-priced land, expanded farm plans, restricted horse and human population--the American farmer faced the loss of his export markets in 1920. These exports had formerly absorbed about 17 percent of his total production. One act saved him temporarily. Americans, through private interests, increased investments in foreign properties and securities--an increase of 7 3/4 billion dollars from 1921 to 1928. Part of this money was used to buy American farm products. Farm exports did not break until these loans stopped, American tariffs were "upped" again, and Europe and the world had expanded farm production until American farm stuffs were no longer needed so much.

The Symptoms

Farm prices broke sharply in 1930 and continued downward through 1932. The buying power of the farmer's product, taking its pre-war purchasing power as 100, got down to 55 percent in March, 1933. The farmer's debts were at a high level. His taxes under an industrial regime had steadily mounted until they were more than twice as high as before the War--yet his dollar would buy half as much. No wonder that one farmer out of ten lost his farm from 1930 to 1933.

The Infection Spreads

One-fourth of America's population is on the farms. First the sickness spread to the merchants in the small towns, and then it went on to the populous industrial centers. Already those places were sick, now they became more violently ill. At the depth of the depression four million men walked the streets because farmers could no longer buy. Farm income in 1932 was less than half what it had been in 1929. Business failures multiplied; 1,705 banks in towns of less than 5,000 population failed in 1931; in 1932, 1,129 more followed. As farms were foreclosed and farm income dried up, the assets of banks and life insurance companies were endangered. Every life insurance policy in America was threatened as agricultural sickness pervaded the land.

Americans should have learned then and there that the farmer is more than a pawn producing cheap food and raw materials; and that a substantial part of America's prosperity is bound up in her farms.

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TOPIC II. Industrial Depression Hits the Farmer

1. Is there any relation between the welfare of farmers and the welfare of town and city dwellers? How does farm income compare with factory payrolls?

2. What was the farmer's share of the amount paid by consumers for farm products in 1928? In 1932? Why the difference?

3. How does this compare with the shrinkage in the share received by distributors and processors?

4. How much land did it require to produce food for America in 1925 to 1929? How much did it require in 1932-33?

5. How much land did it require to produce non-food products for American industry in 1925-1929? How much in 1932-33?

6. Was this excess land taken out of production?

7. What effect have restricted immigration and declining birthrate had on the farmer's market?

8. What effect did the industrial depression have on the migration of farm people to the cities in 1930? Has this had any effect on the agricultural situation?

Farm Income and Wages Go Hand in Hand

No group in society can live independently of other groups. What one group does affects the others. America's depression fever, it has been shown, was partly caused and greatly aggravated by agriculture's sickness. In the same way, the farmer depends to no small degree on his fellow American in town.

How closely farm and town prosperity keep step together may be seen by noting farm income and factory payrolls. They go up and down together. There may be debate as to which is cause and which effect, but there is no doubt that they follow similar trends. In fact, total farm income and total factory payrolls are practically equal every year.

Farmer's Share of Consumer's Dollar Shrinks

The cost of distribution of food from farmer to consumer has mounted rapidly in the last 20 years. During the War distributors' and processors' margins increased enormously. They bulged all along the line; and in the industrial boom that followed the War this bulge did not come down, but often grew larger. In 1913 the farmer got 56.5 cents of each dollar spent by city consumers for ten leading food products; in 1929 he got 50.1 cents of it; in 1934 he got about 38.5 cents. Distribution costs are usually more fixed and less elastic than the cost of raw products. For that reason the farmer suffered unduly when food and clothing prices

went down. For instance, when the share of bread prices received by bakers, millers, railways and wholesale and retail stores dropped 15 percent from 1928 to 1932, the share received by the farmer dropped 65 percent.

Consumption of Farm Products Decreases

From 1925-1929 it required about 287 million acres of land to produce food for the American people. During the depression years people bought less, and 281 million acres was enough to produce all they would buy, even at very low prices. In 1925-1929 American industries used the non-food products (cotton, tobacco, etc.) from 25 million acres. In 1932-1933 it required only an estimated 20 million acres to produce for the needs of industry. In other words, the farmer's own American market failed to buy the products it had previously been buying from 5 million acres of land. The products from about 20 million more acres were no longer needed in the export trade. Yet all this land continued to produce to swell surpluses unsaleable even at very low prices. Industrial depression in America hit the farmer a blow, while, at the same time, he lost much of his foreign market.

Restricted Immigration Hurt Farmers

America decided after the War to shut off immigration to a large extent. Among other reasons for this, it was done to protect the American wage earner. Without questioning the wisdom of this decision, it has had its effect in making it difficult for the farmer to sell all he can produce at a fair price.

Decline in Birthrate Affects Farmer

The birthrate in America has been going down for more than 100 years but has now reached a point where it is scarcely high enough to maintain permanently the present population. There are considerably fewer children under five years of age in America than in 1930. It is estimated we now have about 125 million people--by 1940 we shall probably have no more than 130 millions, and by 1950 probably no more than 135 millions. By 1950 it is estimated that we shall have reached our peak in numbers and soon after a decline is likely to set in.

Contrast this with the period since the Civil War when due to births and immigration our population increased more than 10 millions every 10 years. Birth-rates are said to decline in all industrial societies, but regardless of cause, the farmer cannot look forward to a population growing fast enough to match his ability to increase food production. Again the farmer is profoundly affected by industry and the habits of his fellow Americans living in cities.

City People Turn to the Land

The famous migration from farm to city which has been a cause of concern to many Americans for the last 50 years, reversed itself in 1930 as industrial depression struck. For several years farm population has been growing to the extent of several millions of persons who have turned hopefully to the farm as a means of living through the depression. Few would begrudge city dwellers desperately pressed the opportunity to work out their salvation on the land, either individually or through the help of subsistence homesteads and similar organized movements, yet this has its effect on the farmer. If it has not aggravated the farm problem of surpluses, it has at least been of no help in solving it. Industry either could not or would not take care of the people it plowed up and turned loose on society. Willingly or unwillingly, agriculture accepted them, and again the farmer found his fortunes influenced by industry.

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TOPIC III. Industry Plows Up

1. What common practice did industry resort to from 1929 to 1932 to take care of reduced demand for its products? How did the percentage of decrease in industrial prices during that period compare with the percentage of decrease in production?

2. How has this plow-up of industrial production been financed?

3. What has been the effect of the industrial plow-up on the American farmer?

4. Compare the decrease in industrial prices and production during the years 1929 to the spring of 1933 with the decrease of agricultural prices and production for the same period.

5. What effect did this unbalanced condition have upon the farmer's buying power?

6. Why did the farmer's desperate effort to keep on buying as much as he had before, only tend to lower prices of farm products?

7. How many bales of cotton did it take to buy a double wagon in 1922? In 1932?

8. How many bushels of wheat did it take to buy a double wagon in 1922? In 1932?

Extent of the Plow Up

While the farmer was playing Santa Claus to the American people from 1930 to 1932, industry was staging a magnificent plow-up. Industrial production was reduced 59 percent from 1929 to 1932. Capital and labor resources were plowed under on a grand scale in order to keep prices and dividends up. Prices fell 16 percent during this period. This procedure, which agriculture copied from industry, is a common practice in manufacturing. Indeed, it is considered unbusinesslike to produce more than the market will absorb at fair prices.

Industrial Reduction and Prices
1929-1932

Industry	Reduction in Production	Reduction in Price
Farm Implements	80%	6%
Motor Vehicles	80%	16%
Iron and Steel	83%	20%
Construction	60% plus	16%
Cement	65%	18%
Auto Tires	70%	33%

Financing the Industrial Plow-Up

A great deal has been said about taxing the American people to finance the reduction in agricultural production. How has the industrial plow-up been financed? In several ways. More than 10 million men were plowed under--turned out, to make their way the best they could. They paid a large part of the price for the plow-up in the form of exhausting their savings, lowering their standards of living, and in acute suffering. Industry paid a part of it by having net income dwindle. The United States Government is financing a very large part of it by spending billions in relief. The labor that industry couldn't pay because production was plowed up is now largely paid by the American people as a whole through additions to the public debt which some day will have to be paid from taxation.

In view of these facts it seems unjust to censure the farmer for reducing unless one also censures industry. Manufacturers thought it necessary to reduce production regardless of social consequences: because of this plow-up in industry the farmer found it suicidal to produce as usual. He was being torn limb from limb between a high price level for the things he had to buy and his own low price level.

Effect of Industrial Plow-Up on Farmer

When industry reduced so sharply men were thrown out of work and wages were reduced for the remainder. Buying power of wage earners was reduced, and the farmer's market was injured. The purchases by industry of the farmer's non-food products like cotton declined. These two factors combined cut off the market for the products of 5 million acres of land. That land continued to produce, however, and added to the growing farm surplus. The surplus forced down prices beyond hope of recovery except after a very long depression.

While industry reduced production 59 percent and kept up prices within about 16 percent of what they had been in 1929, the farmer reduced production for sale only 6 percent from 1929 to 1932. His prices dropped 63 percent.

This high level of manufactured prices and the low level of farm prices put the farmer in a bad hole and dislocated the whole national economic machine. The farmer's distress was reflected in his reduced buying power. His dollar would buy only half as much as before the War. In a vain attempt to keep on buying as much as ever he frantically tried to produce twice as much. If it took two bushels of wheat to buy what one bushel formerly bought, then all the farmer could do, alone and unaided, was to try to produce two bushels of wheat instead of one. That effort to keep up buying power only made matters worse for him because the tendency to increase production swelled surpluses and depressed prices of farm products still lower.

In 1922-1923, when cotton sold for 22.8 cents per pound the farmer could trade .66 of a bale of cotton for a double wagon. In 1931-1932, when cotton sold for 5.7 cents per pound it required 3.9 bales of cotton for the farmer to make a trade for a double wagon. Wheat in 1922 1/ sold for 96.6 cents 2/ per bushel and 124.6 bushels would buy a double wagon. In 1932 1/ wheat was priced on the

1/ Year beginning July 1.
2/ Weighted average farm price.

farm at 37.9 cents 2/ per bushel. It took 295 bushels to buy a double wagon. The comparisons hold for a variety of manufactured products.

2/ Weighted average farm price.

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TOPIC IV. Agriculture Reduces

1. What was the farmer's condition immediately following the War, with reference to foreign markets? What was his general condition?

2. How much has farm production been reduced since 1932? How does it compare with 1929?

3. What reductions have been made in cotton, wheat, corn, and hogs since 1932 and what effect have these reductions had on prices of these products? On farm income?

4. Has the improvement in farm prices, farm buying power, and total farm income been entirely due to AAA programs?

5. What was the total farm income in 1932? In 1933?

6. How did 1932 farm prices compare with those of 1929?

7. Has the buying power of the farmer's dollar increased as much as the prices of the things he buys?

8. How much of the reduction in crops in 1934 was due to the drought? How much was due to adjustment programs?

9. Is there any advantage in reduction by adjustment over reduction by drought? If so, what advantage?

10. What would have happened in American agriculture if there had been no adjustment program in 1934?

11. Just what effects do you think the drought has had on the general agricultural situation?

Farm Production Before AAA

With fairly steady foreign markets after the War, and with increases in farm production just about keeping pace with population increases and increased industrial uses of farm products, the farmer was not in acute distress. He was not well off, however, and was headed for an eventual smash-up due to heavy debts, increasing taxation, and other factors. As an individual he could do many things to maintain a fair business, chiefly by cutting costs of production through better farming. But he was always at the mercy of glutted markets. However efficient he might be he couldn't stand up under 37-cent wheat, 5-cent cotton and $2.50 hogs.

From 1929 to 1932 farm production for sale was cut 6 percent. Prices dropped 63 percent. Buying power dropped nearly 50 percent.

Reduction under AAA

Since 1932 farm production has been reduced about 5 percent and is about 10 percent less than it was in 1929. This is for production as a whole. The reduction has been much greater than this in several products. Reduction has

been due to both drought and adjustment programs.

Cotton acreage was cut from about 39.1 million acres in 1931 to about 28.4 million acres in 1934. Production fell from 13,001,000 bales in 1932-1933 to about 9,731,000 bales in 1934. 1/ Prices rose from 6.5 cents per pound in 1932-1933 to about 12.6 cents in 1934, due to dollar devaluation and reduced supplies. Total cotton income was $483,912,000 in 1932; in 1934 it was about $871,420,000, including benefit payments of $115,000,000.

Harvested wheat acreage in 1932 was 57 million acres. Through AAA programs and other causes it was down to 42 million acres in 1934. Total wheat production was 745,788,000 bushels. 2/ in 1932; in 1934 it was 496,469,000 bushels. Prices climbed from 37.9 cents 3/ in 1932 to 87.9 cents 4/ per bushel in 1934. Total cash income from wheat in 1932 was about 195 million dollars. In 1933, including benefit payments, it was about 366 million dollars; in 1934, including benefit payments, it is estimated at about 382 million dollars.

Corn acreage and production in 1932 were, respectively, 108,668,000 acres and 2,906,873,000 bushels. In 1934, due in large part to drought the acreage was 92,526,000 acres and production 1,380,000,000 bushels. United States farm prices rose from 28.1 cents per bushel in 1932 to 61.3 cents per bushel in 1934.

Corn was under cooperative farmer control in AAA programs mostly because hog production could not be effected without also controlling corn production, otherwise there would be too much corn for a reduced number of hogs. On January 1, 1933, we had about 61,598,000 hogs (including pigs) on farms. Natural liquidation followed by the hog buying and then the hog adjustment program reduced these numbers to about 37 million on January 1, 1935. Prices climbed up from $3.47 per hundred in 1932 to $4.25 per hundred in 1934. Cash income from hogs in 1932 was $439,536,000; in 1934 it is estimated at $497,000,000. To this must be added 159 million dollars in benefit payments in 1934.

Farm prices, farm buying power, and total farm income have increased since 1932. It has not all been due to AAA programs, but it is difficult to see how farmers could have had their loads eased much without some brake on production to halt the growth of surpluses, and without some kind of benefit payments to help restore the balance between farming and industry.

Total farm income in 1932 was $4,328,000,000, in 1933 it was $5,051,000,000 and in 1934 it was estimated at $6,000,000,000. The latter two years include benefit payments.

Wholesale prices of farm products in 1932 were half what they were in 1929. They were 60 percent of the 1929 prices in the year 1934.

1/ First six months
2/ Revised December 1934
3/ Weighted average for the crop year 1932-33.
4/ Weighted average of July 1934 to February 1935 (8 months).

Effect of the Drought

The farmer took in considerably more money in 1934 than in 1932 and his money would buy considerably more than it would in 1932. This happy improvement, some say, is due to drought and not to AAA. What are the facts? Drought reduced cotton production in 1934 by an estimated 264,789 bales;[1/] adjustment programs reduced production by 5,148,772 bales.[1/] Corn is estimated to have been cut almost 1,000,000,000 bushels by drought below 1932-1933 average, and 200,000,000 bushels by adjustment.

No one denies that drought is an effective surplus remover, but it does not reduce evenly, and it distributes no benefit payments. Drought is cruel, and drought experiences are bitter. Where would the farmer have been in 1934 with a drought and no adjustment programs? It is safe to say he would have had lower prices, lower total income and lower buying power--how much lower it is difficult to say. In the heart of the drought country he would have had no income at all, no price,no buying power whatever. He would have been ruined, and most of the folks in town along with him. Some think this would have been a good thing for the country in the long run, though hard on the ruined individual. The AAA philosophy calls for crop insurance, distributed through benefit payments earned by cooperating to improve agriculture and the nation as a whole.

Had there been a drought without the adjustment programs in effect, the shortage of grain and hay per animal consuming unit would have been greater than it actually was. Emergency forage crops were permitted on the 13 million acres of corn land kept out of corn production through the 1934 corn-hog program. This largely offset the volume of about 200 million bushels of corn that could have been produced on this contracted acreage at the average drought yields. In addition, a large volume of feed was also produced on the 15 million contracted acres of cotton land, the 8 million contracted acres of wheat land and the 500,000 contracted acres of tobacco land.

Adjustment in livestock numbers further eased the drain on hay and feed grain supplies under drought conditions. The emergency slaughter of more than 6 million unfattened pigs in the fall of 1933 "saved" for later use in the neighborhood of 60 to 75 million bushels of corn. By effectuating an adjustment in hog farrowings in advance of the drought and in addition to the moderate reduction that might otherwise have taken place, the 1934 corn-hog program, which followed the emergency buying, helped prepare farmers for the drought shortage and reduced their hog feed requirements by an equivalent of at least 200 million bushels of corn. The drought-relief purchase of cattle by the Government in 1934 also served to reduce corn requirements during the present

1/ 478-lb. bales; 5-year average yield per acre 1928-29 to 1932-33 was 173.8 pounds per acre. The 1934 average yield per acre was 169.2 pounds. While the drought materially reduced the yields per acre in the western part of the Cotton Belt, yields per acre were materially above average in the eastern part of the Cotton Belt.

feeding season, to the extent, perhaps, of between 10 and 20 million bushels of corn.

The Government's corn loan program in the fall of 1933 served further to lessen the amount of corn and other feed used when supplies were plentiful and thus to increase the amount which was available after the drought. Because it involved the temporary sealing of about 270,000,000 bushels of corn, the loan program encouraged more conservative feeding during the winter that followed. The conservative feeding induced by this measure may have "saved" as much as 25 million bushels of corn for later use.

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TOPIC V. Further Farm Recovery Depends on Industrial Recovery

1. What is the difference between industrial and agricultural production?

2. What advantage does the elasticity of demand for industrial products give industry over agriculture?

3. What is the result of increased production by farmers? Who get the benefit from increased farm production?

4. Do you think farmers should receive one-fourth of the national income? If not, what would you consider a fair share?

5. What is meant by "parity"?

6. Do you think further reduction in agricultural production is necessary to bring farm prices, income, and buying power back to parity?

7. If not, then do you think America should return to unrestricted production?

8. Or do you think some form of agricultural adjustment will be needed to bring the farmer's standard of living up to where it should be?

9. How can farmers hold the gains they have made through AAA programs?

Difference Between Industrial and Agricultural Production

In general the demand for manufactured products is elastic. That is a short way of saying that people can use lots more manufactured goods than they buy, and that they would buy lots more if they had the money. There are limits, of course, to how many automobiles, pianos, dresses, diamond rings, alarm clocks and the like that folks will buy, even if they have the money. Within reasonable limits, however, the public would buy many more manufactured goods than is now the case. There is a tremendous home market in America for manufactured goods if people only have the purchasing power.

The same does not hold true of farm products. Demand for farm products is in general inelastic. That means that consumption can be increased only within certain limits. The human stomach is limited in what it can hold. A man may be ever so rich but he can't eat any more ham and eggs than a poor laborer, probably not as much. Given plenty of money people will spend more for food but it will not be so much for increased quantity as for fancier food and food of better quality. They will probably eat less wheat and more fruit;

and less pork and more chicken. In general, people tend to consume about the same total amount of food every year. Not even prices that all but ruined farmers in 1930-1932 could tempt Americans to eat more.

This general difference between industry and agriculture is important. It suggests that industry is in a much better position to produce freely than is the farmer. If industry produces at full capacity and puts everybody to work markets are assured for manufactures if prices are reduced some. Probably the net incomes of industry would increase. This is indicated by recent experiences. Industry had cut production to 41 percent of the 1929 level in 1932. The net income of 163 corporations changed into a deficit of 21 millions of dollars. In 1933 industry increased production to 52 percent of the 1929 level, increased prices only slightly, and the deficit changed to a net income for the same group of corporations of 128 millions. There is reason to believe that for the sake of its own dividends industry would do well to abandon plow-ups since it has an almost unlimited American market for its goods.

Individuals in industry are not to blame. The fault lies with the premium which industry in general places upon the economy of scarcity. Agriculture has taken steps toward attaining balanced abundance. But this goal cannot be achieved until united industry aims toward the same objective.

Since there is a fairly definite limit to the size of the human stomach all the farmer gets from increasing production is a much lower price and the privilege of helping the middleman. Middlemen like the big-farm-production idea because their margins tend to stay about the same and they profit by a larger volume of business. Few would argue for reduced agricultural production as a permanent policy, but on the other hand the farmer can't look forward to an expanding market for his products unless he can sell more abroad or unless population increases a lot faster than at present or unless new industrial uses are found for certain farm products.

Industry <u>can</u> expand production with profit and <u>won't</u>; agriculture <u>can't</u> expand production with profit and <u>will</u>.

<u>How Much Does the Farmer Deserve</u>?

Everyone will agree that all should get a fair price or return or income, but few will agree on what "fair" is in any given case. How much of the national income should farmers receive? They form one-fourth of the population. Should they receive one-fourth the income? They never have. In the boom days of 1919 farmers got about 1 dollar out of 5 in the national income. Their share declined until in 1932 they received about 1 dollar out of 14. In 1934 farmers probably received about 1 dollar out of 10, including benefit payments. What the share should be nobody knows, but everyone would agree that it was too low in 1932, and most would agree that it is still too low.

The AAA has set up a rough, practical formula for deciding in the interests of society what "fair" price is for farmers. The Agricultural Adjustment Act states that adjustments of production and benefit payments may be continued until the purchasing power of the farmer's dollar is equal to what it was before the War (1909-1914), and until the farmer is getting as large a

share of the consumer's dollar as he received before the War. The purchasing power of the farmer's product in March 1935 was 84 percent of pre-war purchasing power, as compared with 55 percent in March 1933. It was 72 percent in the case of cotton; 76 percent in the case of wheat; and 88 percent in the case of hogs. The farmer in February 1935 received 45.6 cents out of the consumer's dollar. Before the War, in 1913, he received 56.5 cents of it. There is still room for improvement.

Further Reduction Won't Help Farmer Much

Drought and AAA have made substantial reductions in surpluses. Farm prices, income and buying power have been helped considerably. Farmers are not back to "parity" prices, however. Will sharper reductions the next few years turn the trick? In the opinion of the Agricultural Adjustment Administration the answer is, "No". If production is kept from increasing from present levels (drought excluded) it is believed that the remainder of price and income and purchasing power improvement must come from industrial recovery. AAA has no thought of helping the farmer exploit the American people by creating scarcity prices. There is no real scarcity of farm products as measured by effective demand. Gluts have simply been changed into more nearly normal supplies. No one should object to this. To carry reduction further than this would be questionable economically and morally. To meet the requirements of normal consumption restrictions upon production are modified, as in the case of the 1935 wheat program.

On the other hand, to remove all restrictions would doubtless send farm prices into another nose dive, seriously threaten the farmer and the nation again. A return to normal wheat crops would mean that a surplus would build up again and the price would drop. The farmer would lose the gains he has made. The same is true of most farm products.

Furthermore, the farmer cannot escape agricultural adjustment even if the AAA programs should be discontinued. He would be forced to return to the agricultural adjustment of 1932. Such adjustment will work the problem out in the long run if the farmer and the nation are willing to pay the cost. Letting matters run their course through deflation would eventually bring agriculture and industry into some kind of balance again but it would prolong the depression, leave many farmers destitute, and weaken all of them.

The present agricultural adjustment is of a very mild sort. It does not aim to bring the millenium, nor to cure all ills at one stroke. In the course of a few years, however, it should put farmers on their feet, get them used to cooperating, to do together what they cannot do as individuals, and start agriculture on a sound long-time land use program.

As matters now stand in 1935, farmers can hold their gains by continued cooperation with each other in agricultural adjustment programs, but for further improvements in their income they must wait for industrial recovery. The next move is up to industry, whose magnificent plow-up helped put the farmer to rout.